

Weekly Economic Review

Alberta activity strong in 2017

Alberta Activity Index

Solid rebound in activity

The Alberta Activity Index (AAX) was strong in 2017 despite momentum slowing toward the end of the year. The AAX was up 5.1% overall and recovered about two-thirds of the recessionary losses by year-end. The pace of growth slowed toward the end of the year (Chart 1). In December, the AAX edged down 0.2% month-over-month (m/m) giving back about a quarter of the gains made in the previous two months. A pullback in housing starts and retail sales outweighed strong job gains and increased oil production.

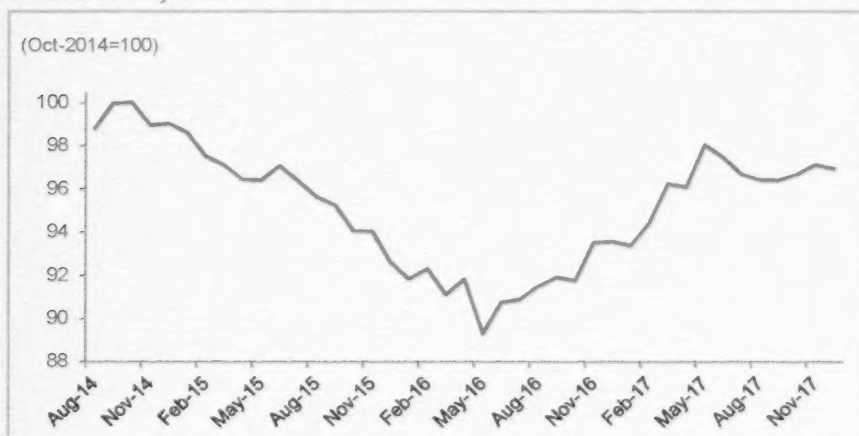
Meters Drilled

Solid activity throughout 2017

Drilling activity was strong in 2017 despite decelerating year-over-year growth in the last quarter of 2017. The number of metres drilled for oil and gas reached one million in December. It was up 5.9% year-over-year, a moderation from the exceptional gains seen through most of 2017. The decelerating growth in the last quarter reflected a seasonal decline in 2017 which contrasted an atypical increase in 2016 when oil prices rebounded. There were increases in metres drilled for both conventional and bitumen production (+16% year-over-year or y/y) while metres drilled for natural gas (-4.9% y/y) declined in December. Overall in 2017, metres drilled in Alberta rebounded 87% following a two-year decline.

Chart 1: Activity ticks down in December

Alberta Activity Index



Source: Alberta Treasury Board and Finance

Business Formation

New business start-ups rise

The number of new businesses opening their doors in Alberta increased for the second month in a row. There was an average of 3,634 new businesses formed over the three-month period ending in January, 6.3% higher than in December. After some moderation at the end of last year, business formations rebounded to reach a ten-month high. They edged up 0.6% from a year ago.

Real GDP by Expenditure

Modest growth in Q4

Canada's economic growth has slowed following a blistering pace in the first half of 2017. Real GDP growth rose at an annualized pace of 1.7% in the fourth quarter, roughly the same as in the third quarter but well below the average rate of 4% recorded in the first half of the year. Business investment was strong as a surge in machinery and equipment boosted non-residential investment (+8.2%). This was accompanied by a rebound in residential investment (+13.4%), which reflects a pull forward of activity in anticipation of housing rule changes. Slowing growth in consumption and government spending combined with declining net exports all weighed on growth. Overall in 2017, real GDP grew by 3.0%.

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Please see the [Alberta Economy- Indicators at a Glance](#) for a snapshot of Alberta indicators.